

City of Oklahoma City's 401(a) and 457 Plans

Defined Contribution Plan Education

November 28, 2023



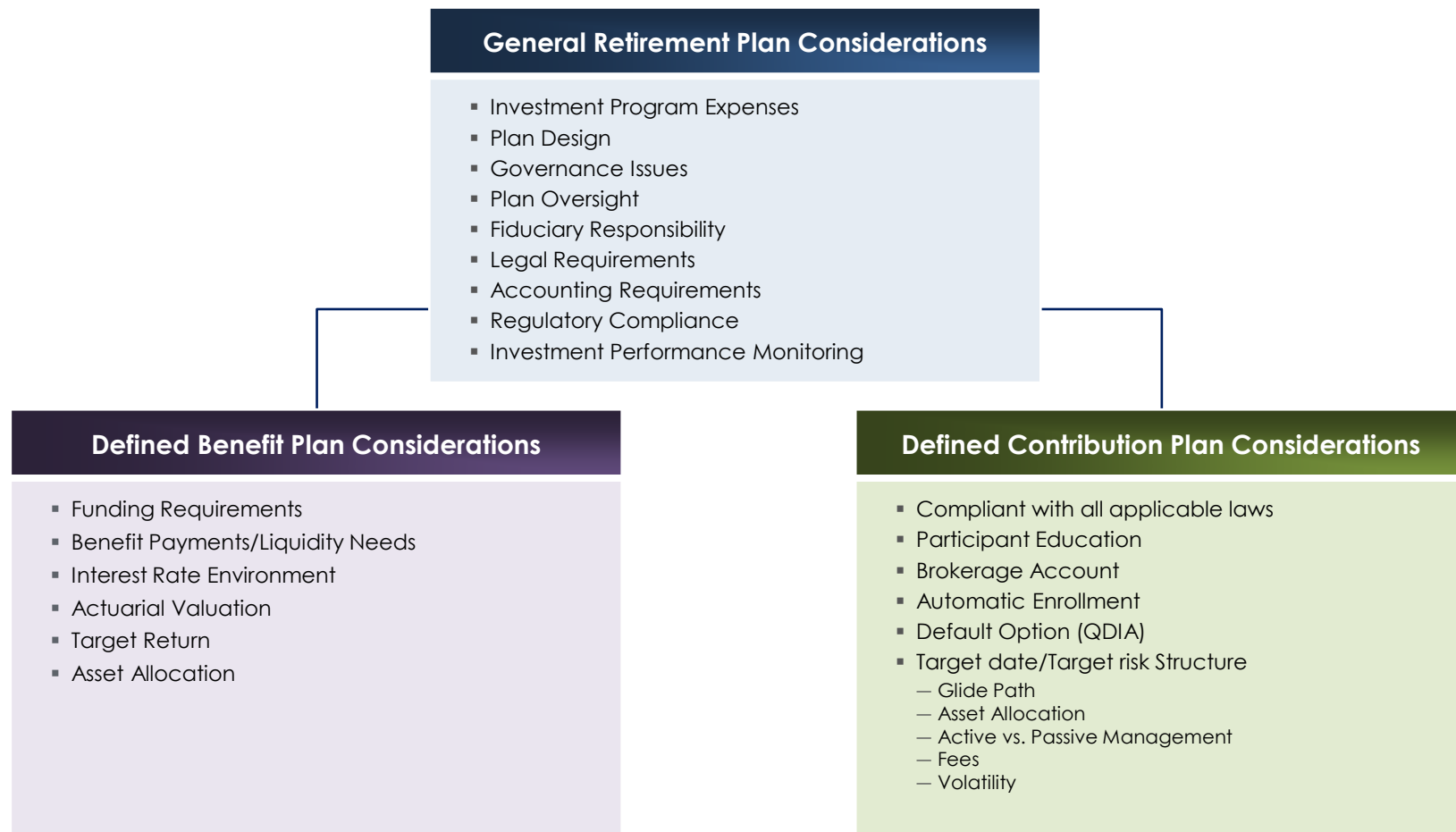
2018 2019 2020 2021 2022

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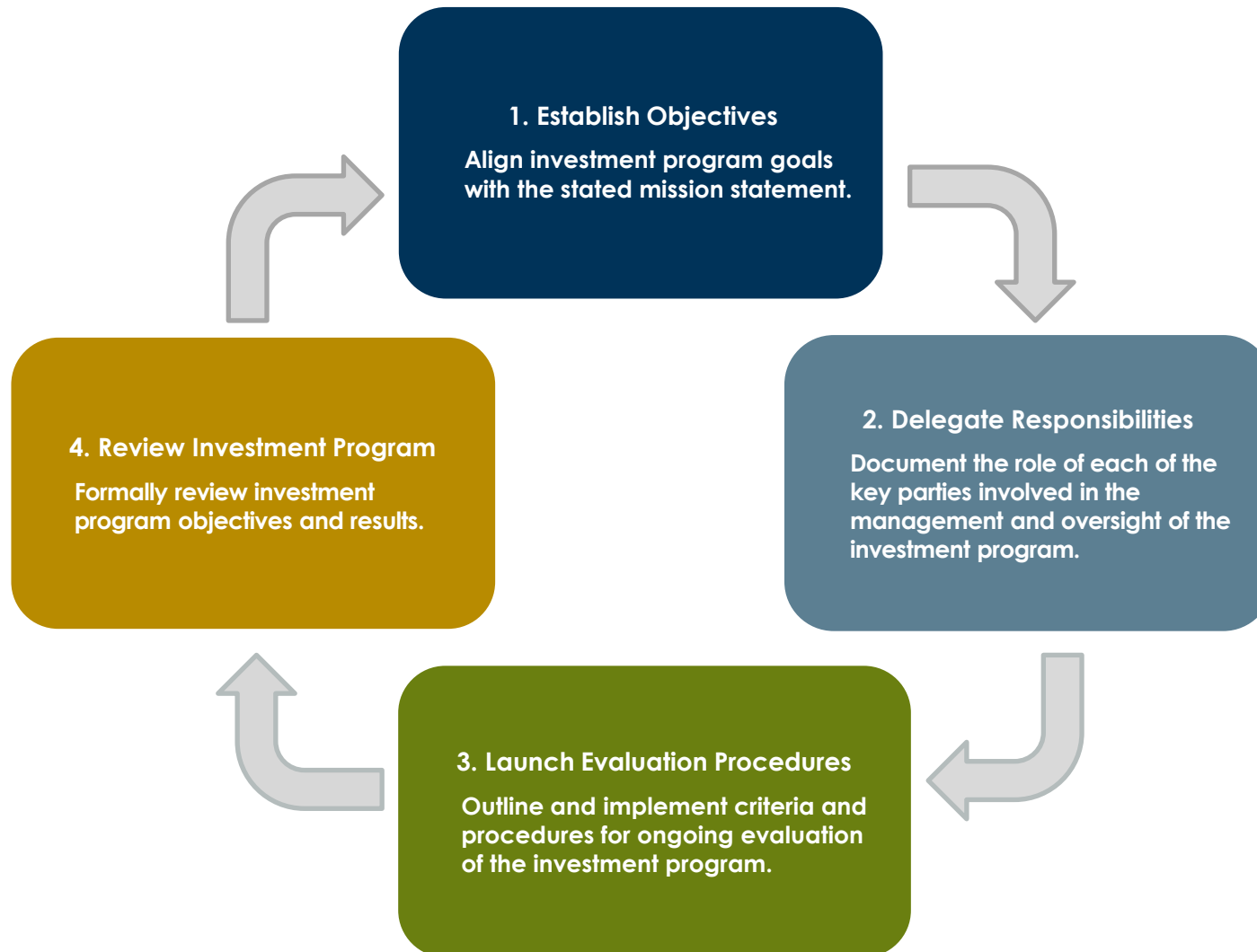
Methodology and Disclosure: Between February and November of 2022, Coalition Greenwich (previously known as Greenwich Associates), conducted in-person and phone interviews and online surveys with 727 professionals at 590 of the largest tax-exempt funds in the United States, including corporate and union funds, public funds, endowments and foundations, insurance general accounts, and healthcare organizations, with either pension or investment pool assets greater than \$150 million. Study participants were asked to provide quantitative and qualitative evaluations of their asset managers and investment consultants, including qualitative assessments of those firms soliciting their business and detailed information on important market trends. ACG is one of four firms recognized in the mid-size investment consultant category. The ratings may not be representative of any one client's experience with ACG; rather they are representative of those clients that chose to participate in the survey. The results are not indicative of ACG's future performance. ACG does not pay to have its clients participate in the study.

Retirement Plan Considerations

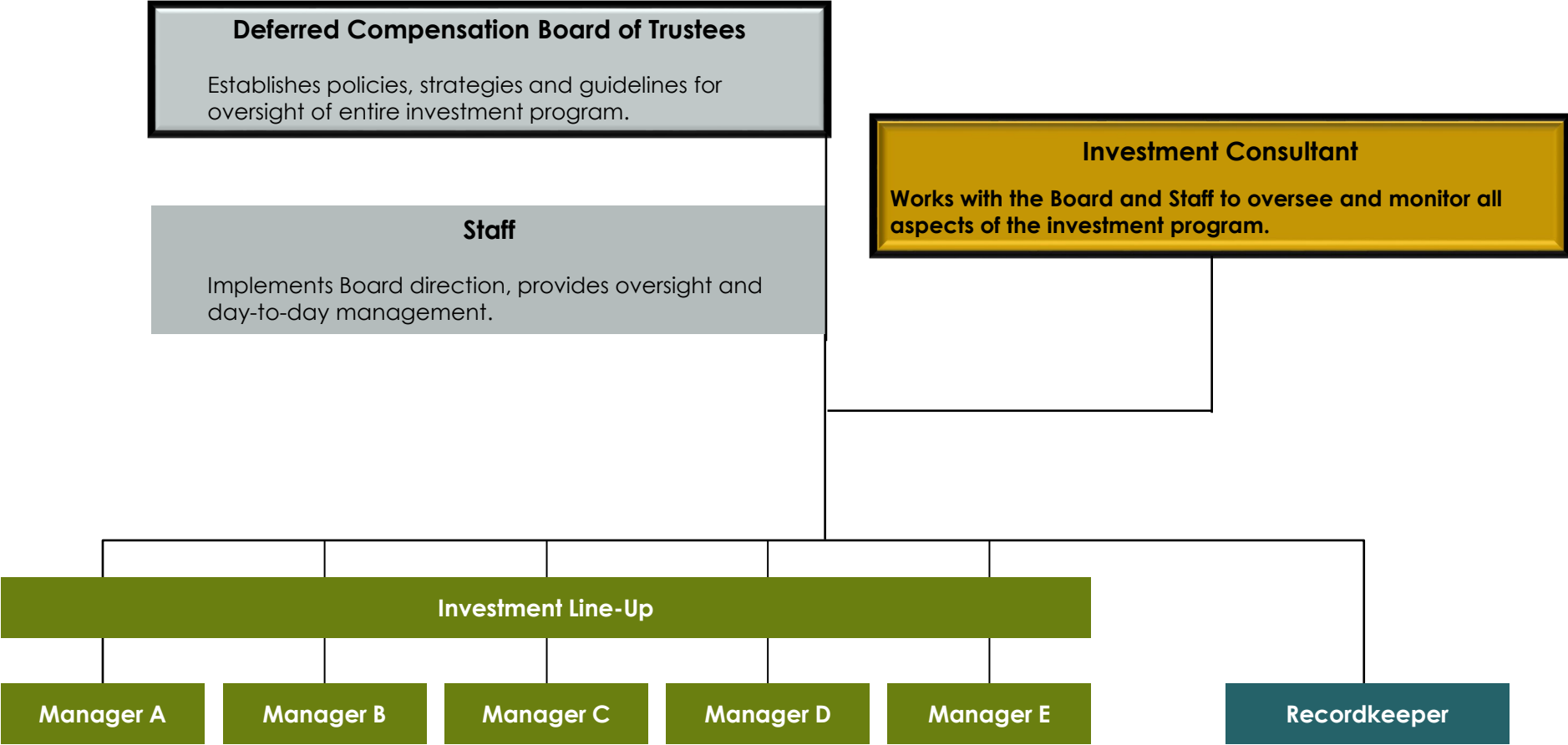
While retirement plans are typically designed to reflect their long-term time horizon, there are many issues and challenges that must be considered in the ongoing management of such programs. Defined Benefit and Defined Contribution plans each have their own unique set of considerations which influence how their investment programs should be structured and managed.



Effective Governance Is Ongoing



Typical Governance Structure



Investment Program Administration Key Tasks

Task	Board of Trustees	Consultant
Identification of Investment Objectives/Risk Tolerances	✓	✓
Investment Policy Creation and Review	✓	✓
Plan Design and Fund Line-Up	✓	✓
Recordkeeper Review and Oversight	✓	✓
Ongoing Fund Monitoring	✓	✓
Fiduciary Oversight	✓	✓

- As fiduciaries to Defined Contribution Plans, the primary duty is the ongoing monitoring and review of investment options available to participants.
- Staying apprised of the current legal and regulatory environment is critical. Current issues surrounding Defined Contribution Plans include:
 - **Investment expenses:** offering the lowest fee share classes/vehicles to participants
 - **Recordkeeping revenue-sharing:** using a recordkeeper with clear and transparent fee structures
 - **Investment diversification:** offering participants investment options/strategies across stocks, bonds and real assets
 - **Educational offerings:** providing educational sessions/tools that are easily accessible to participants

- **In 2019, ACG was engaged to review the City of Oklahoma City's 401(a) and 457 Plans** and evaluate the Plans' governance structure, recordkeepers and the recordkeepers' underlying fund offerings.
- **Phase 1 of the engagement included a review of the governance structure and development of an Investment Policy Statement** that defined the roles and responsibilities of parties associated with the Plans, the objectives, risk tolerances, constraints and special circumstances associated with the Plans, and outlined specific processes and procedures for managing and monitoring the Plans.
- **Phase 1 also focused on a detailed evaluation of the Plans' recordkeepers**, including an evaluation of the competitiveness of the fees, the fund offerings and other associated services being provided by each of the recordkeepers. The analysis included an attempt to unbundle all of the costs associated with each plan and understanding the pros and cons of utilizing a specific vendor.
- Observations and recommendations for Phase 1 were as follows:
 - **ACG recommended that a governing body be established** by the City for ongoing review and oversight of the Plans.
 - As part of the recommended enhancements to the governance structure, **ACG recommended that an Investment Policy Statement should be adopted** by the governing body. A detailed Investment Policy Statement was included in the analysis for your Staff's consideration.
 - ACG recommended that the City **reduce the Plans' administration from two recordkeepers (Nationwide and ICMA) to one provider. By consolidating the Plans' administration, the Plans could realize a fee savings of \$515,000 - \$800,000.¹**
 - Additionally, **ACG recommended that the City offer one 401(a) Plan and one 457 Plan** going forward. By consolidating the number of participant-directed plans, the City could reduce potential confusion for participants and realize further cost efficiencies.
- Phase 2 of the engagement was designed to include recommended changes to the underlying fund line-ups in conjunction with the recordkeeper transition. **Additional fee transparency and fee savings could be realized** for participants through the consolidation of the Plans' line-ups.

¹ Fee savings calculation is based on pricing proposals provided by recordkeepers. Fee savings vary significantly due to the range of pricing scenarios.

Current 401(a) and 457 Plan Structure (Equity Options)

Global Equity Funds (57 Total Options)				
	Value	Core	Growth	
Nationwide	U.S. Large Cap	1. American Century Equity Income Fund 2. ClearBridge Large Cap Value Fund	1. Davis New York Venture Fund 2. Nationwide S&P 500 Index Fund 3. Parnassus Core Equity Fund 4. BNY Mellon S&P 500 Index Fund	1. American Growth Fund 2. Fidelity Contrafund 3. Nationwide Institutional Service Fund 4. Nationwide Large Cap Growth Fund 5. Loomis Sayles All Cap Growth 6. T. Rowe Price Growth Fund
	U.S. Mid Cap	1. Franklin US Mid Cap Value Fund 2. MFS Mid Cap Value Fund	1. Nationwide Mid Cap Market Index Fund	1. American Century Heritage
	U.S. Small Cap	1. American Century Small Cap Income Fund 2. Virtus NFJ Small Cap Value Fund	1. Nationwide Multi-Manager Small Company Fund 2. Nationwide Small Cap Index Fund	1. Nationwide Small Cap Growth Fund 2. Neuberger Berman Genesis Fund
	Global Equity			1. Invesco Global Fund
	International Developed	1. AllianceBernstein Intl Value Fund 2. Franklin Templeton Foreign Fund 3. MFS International Value	1. Nationwide International Index Fund 2. Oakmark International Equity Fund 3. Janus Henderson Overseas Fund	1. American EuroPacific Growth 2. JPMorgan International Equity
	Emerging Markets			1. American New World Fund
MissionSquare	U.S. Large Cap	1. MissionSquare Equity Income Fund 2. MSQ BlackRock Equity Dividend Fund 3. MSQ MFS Value Fund	1. MissionSquare 500 Stock Index Fund 2. MissionSquare Broad Market Index Fund 3. MissionSquare Growth & Income Fund 4. MSQ Parnassus Core Equity Fund 5. MSQ Invesco Main Street Fund	1. MissionSquare Growth Fund 2. MSQ Contrafund 3. MSQ T. Rowe Price Growth Stock Fund
	U.S. Mid Cap	1. MissionSquare Select Value Fund 2. MSQ Victory Sycamore Value Fund		1. MissionSquare Aggressive Opportunities Fund 2. MSQ AMG TimesSquare Mid Cap Growth Fund 3. MSQ Carillon Eagle Mid Cap Growth Fund
	U.S. Small Cap	1. MSQ JPMorgan Small Cap Value Fund	1. MissionSquare Mid/Small Company Index Fund 2. MissionSquare Small Cap Discovery Fund	1. MSQ Invesco Discovery Fund
	Global Equity		1. MissionSquare Model Portfolio Global Equity Growth	
	International Developed		1. MissionSquare International Fund 2. MissionSquare Overseas Equity Index Fund	1. MSQ Diversified International Fund
	Emerging Markets		1. MissionSquare Emerging Markets Fund	

Current 401(a) and 457 Plan Structure (Fixed Income/Real Assets/Balanced Options)

		Global Fixed Income Funds (15 Total Options)			Real Assets (3 Total Options)			Asset Allocation / Balanced / Target Date Funds (12 Total Options)
Nationwide	Short-Term/ Money Market Fund/Annuity	1. Loomis Sayles Limited Term Gov't & Agency Fund 2. Morley Stable Value Fund 3. Fixed Assets 4. Nationwide Fixed Account 5. Nationwide Government Money Market Fund	Real Assets	1. Cohen & Steers Real Estate Securities	Asset Allocation / Balanced Funds	1. Nationwide Destination Aggressive Fund 2. Nationwide Destination Moderately Aggressive Fund 3. Nationwide Destination Moderate Fund 4. Nationwide Destination Moderately Conservative Fund 5. Nationwide Destination Conservative Fund 6. American Income Fund		
	U.S. Investment Grade	1. Nationwide Bond Index Fund 2. Loomis Sayles Core Bond				Target Date Funds	1. NCIT Index Target Date Funds	
	Opportunistic	1. Lord Abbett High Yield Fund 2. PIMCO Foreign Bond Fund						
MissionSquare	Short-Term/ Money Market Fund/Annuity	1. MissionSquare PLUS Fund 2. MSQ Cash Management 3. MissionSquare Retirement Income Advantage	Real Assets	1. MissionSquare Inflation-Focused Fund 2. MSQ Cohen & Steers Realty Shares	Asset Allocation / Balanced Funds	1. MissionSquare Model Portfolio Long-Term Growth Fund 2. MissionSquare Model Portfolio Traditional Growth Fund 3. MissionSquare Model Portfolio Conservative Growth Fund 4. MSQ Puritan Fund		
	U.S. Investment Grade	1. MissionSquare Core Bond Index Fund				Target Date Funds	1. MissionSquare Target Date Funds	
	Opportunistic	1. MSQ Western Asset Core Plus Bond Fund 2. MSQ PIMCO High Yield Bond Fund						

- Between the two recordkeepers, there are currently 57 equity options, 15 fixed income options, 3 real assets options and 12 balanced fund options available to participants.
- ACG recommends utilizing one recordkeeper and reducing the number of options available to participants.

Using a single recordkeeper, ACG recommends offering ten equity options, three fixed options, one diversified real assets option, one balanced fund and one target date fund suite:

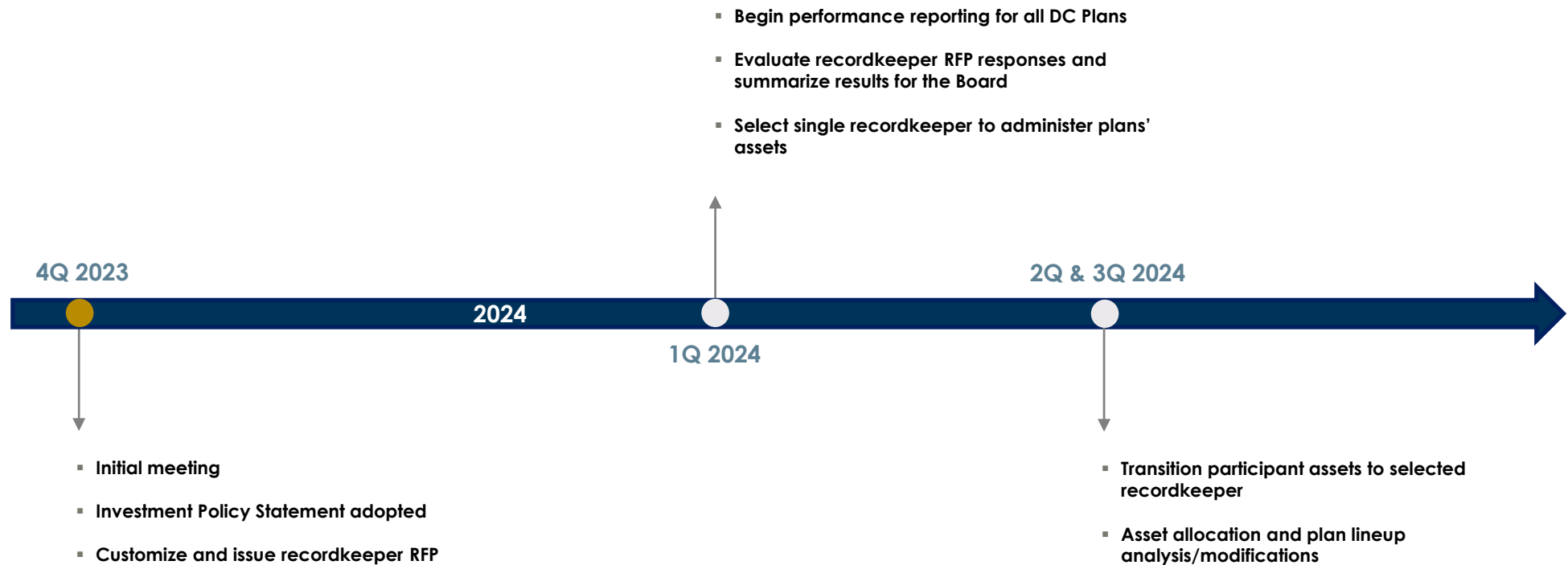
Global Equity Funds (10 Options)			
	Value	Core	Growth
U.S. Large Cap	1. Actively-managed US Large Value	1. Passively-managed US Large Core	1. Actively-managed US Large Growth
U.S. Small/Mid Cap	1. Actively-managed US Small/Mid Value	1. Passively-managed US Small/Mid Core	1. Actively-managed US Small/Mid Growth
Global Equity		1. Passively-managed Global Equity	
Non-US Equity	1. Actively-managed Non-US Value	1. Passively-managed Non-US Core	1. Actively-managed Non-US Growth

Global Fixed Income Funds (3 Options)	
Short-Term/ Money Market Fund/ Annuity	1. Stable Value Fund
U.S. Investment Grade	1. Actively-managed US Investment Grade Bond
Opportunistic	1. Actively-managed Opportunistic Bond Fund

Real Assets (1 Option)	
Real Assets	1. Actively-managed Diversified Real Assets

Asset Allocation / Balanced / Target Date Funds (2 Options)	
Asset Allocation / Balanced Funds	1. Balanced Fund
Target Date Funds	1. Target Date Fund Suite

Proposed Transition Timeline



Items for Consideration

- Investment monitoring, reporting and Board education will be ongoing.
- Each recordkeeper's participant education program will be evaluated as part of the recordkeeper RFP.

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